## STAFF REPORT

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| **Agenda Item:** | 7 and 8 | **Name:** | Mary Bourguignon |
| **Proposed No.:** | 2020-03122020-0315 | **Date:** | November 10, 2020 |

**SUBJECT**

Proposed Ordinance 2020-0315, the “Sunshine Ordinance,” would declare property tax levies for 2021 in terms of both dollar and percentage increases.

Proposed Ordinance 2020-0312 would make a declaration of substantial need to allow King County to implement a one percent increase for its property tax levies.

**SUMMARY**

**Proposed Ordinance 2020-0315** would declare the dollar amount and percentage by which the County’s property tax levies for collection in 2021 would increase over the 2020 levies. Under normal circumstances, this ordinance, which is often referred to as the “Sunshine Ordinance,”[[1]](#footnote-1) is required by State law if a taxing district wishes to increase its levies by the lesser of one percent or inflation (as measured by the implicit price deflator).[[2]](#footnote-2) Given the special circumstances this year, however, the Executive has proposed to increase levies by the greater of the two amounts: by one percent over the prior year’s levies.[[3]](#footnote-3) Proposed Ordinance 2020-0315 will need to be amended prior to final passage to update the levy amounts listed in the legislation.

**Proposed Ordinance 2020-0312** would make a declaration of substantial need. This declaration is needed for a taxing district in Washington State to increase property tax levies by one percent when inflation, as measured by the implicit price deflator, is below one percent.[[4]](#footnote-4) As of September 2020, the implicit price deflator for Washington State is less than one percent, meaning a declaration of substantial need is necessary to increase property tax levies by one percent for 2021. Proposed Ordinance 2020-0312 will need to be amended prior to final passage to add the amount of the total and General Fund adopted budget.

**ANALYSIS**

Washington State imposes a levy limit that restricts taxing districts from levying more than a one percent increase in the regular, non-voted levy in any given year.[[5]](#footnote-5) Taxing districts with a population of 10,000 or more are limited to the lesser of one percent or the rate of inflation, as measured by the implicit price deflator. The levy limit does not include new construction, annexations, and voter-approved excess levies, meaning the actual revenue increase may be greater than one percent. The levy limit must then be approved by ordinance.

If the implicit price deflator is less than one percent, a taxing district may issue a declaration of substantial need by ordinance to increase its levy by one percent.[[6]](#footnote-6)

Proposed Ordinances 2020-0315 and 2020-0312 would fulfill these requirements:

**Proposed Ordinance 2020-0315,** the “Sunshine Ordinance,” would declare the dollar amount and percentage by which the County’s property tax levies would increase over the 2020 levies. The Executive has proposed increasing levies by one percent over the prior year’s levies, except for voter-approved levies for which voters have approved levy limit factors higher than one percent.

Because the implicit price deflator is currently less than one percent, King County must make a declaration of substantial need in order to increase its levy by one percent. As a result, Proposed Ordinance 2020-0315 depends on the passage of Proposed Ordinance 2020-0312.

**Proposed Ordinance 2020-0312** would make a declaration of substantial need, justifying the declaration by stating that:

* The general fund and other funds are experiencing a fiscal shortfall that is the result of revenue growth that is not keeping pace with the increasing costs of providing services;
* This fiscal shortfall is expected to continue in 2021 and thereafter;
* The County has reviewed all expenditures in the General Fund and other property-tax-supported funds for reductions and has also reviewed possibilities for enhanced revenues;
* The County has reduced the General Fund budget and other property-tax-supported budgets below the amounts necessary to sustain current service levels through direct service reductions and efficiencies; and
* The 2021-2022 budget assumes that property taxes increase by the one percent limit factor and any increase less than that would require substantial direct service reductions.

**AMENDMENTS**

Proposed Ordinance 2020-0312 will need to be amended prior to final passage to insert actual amounts for the total adopted King County budget for 2021-2022 and the total adopted General Fund budget for 2021-2022.

Proposed Ordinance 2020-0315 will need to be amended prior to final passage to update levy amounts with information provided by the Office of Economic and Financial Analysis.

**ATTACHMENTS**

1. Proposed Ordinance 2020-0312
2. Proposed Ordinance 2020-0315
3. Fiscal Note, Proposed Ordinance 2020-0312
4. Fiscal Note, Proposed Ordinance 2020-0315
1. RCW 84.55.120 [↑](#footnote-ref-1)
2. RCW 84.55.005 [↑](#footnote-ref-2)
3. Please note that voter-approved levies for which voters have approved levy limit factors higher than one percent would increase by the voter-approved amounts. [↑](#footnote-ref-3)
4. RCW 84.55.0101 [↑](#footnote-ref-4)
5. RCW 84.52, 84.55 [↑](#footnote-ref-5)
6. RCW 84.55.0101 [↑](#footnote-ref-6)